

FISCAL NOTE

Bill #: HB0248

Title: Use of municipal water or sewer utility is not a beneficial use

Primary

Sponsor: Dan Harrington

Status: As introduced

Sponsor signature	Date	Dave Lewis, Budget Director	Date
-------------------	------	-----------------------------	------

Fiscal Summary

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
Revenue:		
General Fund	(\$88,776)	(\$88,776)
State Special Revenue	(\$5,607)	(\$5,607)
Other (state assumption of welfare)	(\$8,229)	(\$8,229)
Net Impact on General Fund Balance:	(\$88,776)	(\$88,776)

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
X		Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts

Fiscal Analysis

ASSUMPTIONS:

1. The bill would exempt only industrial or commercial users of public municipal or district water supply or sewer services from assessment of the beneficial use property tax.
2. The bill impacts four beneficial use assessments, one in Missoula County and three in Deer Lodge County and Butte-Silver Bow. The three assessments in Deer Lodge and Butte-Silver Bow counties are under dispute by the affected companies. Therefore, no property tax has been collected at this time.
3. For the purpose of this fiscal note, the disputed property tax assessments were used to calculate the property tax for FY2000 and FY2001.
4. The act would be effective for the 1998 tax year. Because of this, Missoula County will have to refund approximately \$8,664 in property taxes already paid. The state general fund would refund approximately \$1,914 and the state special revenue fund would refund \$121 in property taxes already paid.

(continued)

5. The property in Deer Lodge and Butte-Silver Bow counties is class 9 and taxed at 12 percent. The property in Missoula County is class four and taxed at 3.816%.
6. The 1998 mill levies were used to calculate the property taxes for FY2000 and FY2001.
7. It is estimated that this bill will eliminate potential general fund revenues of approximately \$88,776 in FY2000 and \$88,776 in FY2001.
8. It is estimated that this bill will eliminate potential state special revenue fund monies of approximately \$13,836 in FY2000 and \$13,836 in FY2001 for the university 6 mill levy and the 9 mill welfare levy.

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

It is estimated that this bill will eliminate potential property tax revenues of approximately \$340,108 in FY2000 and \$340,108 in FY2001 for local governments in two counties (see assumptions 2 and 3).

LONG-RANGE IMPACTS:

This bill could result in the loss of millions of dollars in state and local revenue from the federally owned power lines which cross Montana (see technical note #1).

TECHNICAL NOTES:

1. The state won a beneficial use lawsuit concerning power lines owned by the federal government. New language in section 3 uses the term “public municipal or district utilities.” Utilities could be construed to mean power lines, unless this section is amended to limit its impact to water and sewer systems.
2. The language seems to eliminate taxation of all water or sewer supply systems (or other types of utilities) that are leased by a private company from a governmental entity. In the future, that may have broader impact than what is intended in this bill.
3. Any exemptions or limitations added to the beneficial use statute could jeopardize the strength of the statute.